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Elizabeth O'Donnell, Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40601

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PUBLIC SERVICE
COMMISSION

Louisville Gas and
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State Regulation and Rates
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September 21, 2006

**RE: Application of Louisville Gas and Electric Company to
Extend its Gas Weather Normalization Adjustment Clause**

Dear Ms. O'Donnell:

Case No. 2006-00 419

Please find enclosed and accept for filing the original and (10) copies of Louisville Gas and Electric Company's Application requesting authorization to extend its gas Weather Normalization Adjustment Clause as approved by the Commission in Case No. 2000-080, and extended in Case No. 2003-00357, as applied to Rate Schedules RGS and CGS.

If you have any questions regarding this matter, please contact me at your convenience.

Sincerely,

Robert M. Conroy

Enclosures

cc: Office of the Attorney General

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

SEP 22 2006

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND)
ELECTRIC COMPANY TO EXTEND ITS GAS)
WEATHER NORMALIZATION ADJUSTMENT)
CLAUSE)

CASE NO. 2006-00419

APPLICATION OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO EXTEND ITS GAS WEATHER NORMALIZATION
ADJUSTMENT CLAUSE

Louisville Gas and Electric Company (“LG&E”) hereby requests authorization to extend its gas weather normalization adjustment (“WNA”) clause. LG&E’s WNA mechanism was originally approved by the Commission in Case No. 2000-080. In Case No. 2003-00357, *In the Matter of: The Application of Louisville Gas and Electric Company to Extend its Gas Weather Normalization Adjustment Clause*, the mechanism was approved for a three-year extension through April 30, 2006 by a Commission Order dated October 30, 2003. LG&E’s WNA is applied to Rate Schedules RGS and CGS and covers the six-month heating season from November through April.¹ LG&E requests that its current WNA mechanism be extended through April 30, 2009. In support of its application, LG&E states as follows:

In ruling on LG&E’s rate case application in Case. No. 2000-080, the Commission approved LG&E’s proposed gas WNA Clause, applicable to customers served under Rate

¹ The length of the WNA heating season was extended from December through April to November through April in LG&E’s last rate case, Case No. 2003-00433, which was approved by Commission Order dated June 30, 2004.

Schedules RGS and CGS, for an experimental period of three years. *See Order, Application of Louisville Gas and Electric Company to Adjust its Gas Rates and to Increase its Charges for Disconnecting Service, Reconnecting Service and Returned Checks*, Case No. 2000-080, at pages 76-77.

As proposed in Case Nos. 2000-080, Case No. 2003-00357, and herein, the WNA Clause adjusts residential and commercial gas sales to reflect normal temperatures on a real-time basis. Consequently, the WNA Clause acts to mitigate the volatility of that portion of the customer's gas bill arising from LG&E's distribution charges and which are affected by variation in temperatures. Therefore, the WNA Clause can serve to dampen the impact of temperature variations on customers' bills by adjusting the LG&E portion of the customer's bill (namely the distribution charge) based on normal temperatures from November through April of the applicable winter heating season.

Similarly, the WNA Clause serves to mitigate fluctuations in LG&E's earnings that would otherwise result from temperature variations during the period to which the WNA Clause is applicable by ensuring LG&E's recovery of a certain revenue requirement based on normal temperatures, regardless of variations in weather conditions.

LG&E is proposing herein no change to the current functioning of the WNA Clause as most recently approved by the Commission in Case No. 2003-00433, and commits to file, by each June 30 following the preceding winter season covered by this proposed extension, a report

on the operation of the WNA Clause during the preceding winter heating season similar in all respects to reports previously filed with the Commission in this regard.

WHEREFORE, Louisville Gas and Electric Company respectfully requests that the Commission issue an order approving the Company's application as described herein. To allow LG&E to implement its WNA Clause beginning November 1, 2006, LG&E requests that the Commission issue an order approving LG&E's application by October 27, 2006.

Respectfully submitted,

Allyson K. Sturgeon
LOUISVILLE GAS AND ELECTRIC COMPANY
220 West Main Street
P.O. Box 32010
Louisville, KY 40232
502-627-2088

By 
Counsel for Louisville Gas and Electric Company

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CERTIFICATE OF SERVICE

This is to certify that a true copy of the foregoing instrument was shipped via United Parcel Service on the 20th day of September, 2006, to the Office of the Attorney General, Office for Rate Intervention, P. O. Box 2000, Frankfort, Kentucky 40602-2000.

By Allyson K. Stinson
Counsel for Louisville Gas and Electric Company